

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, NOVEMBER 18, 2008**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 18, 2008, commencing at 7:00 a.m.

Present: Mayor Pro Tempore Hansen, Council Member Hitchcock, Council Member Johnson, and Mayor Mounce

Absent: Council Member Katzakian

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Neighborhood Stabilization Program (CD)

City Manager King briefly introduced the subject matter of the neighborhood stabilization program.

Community Improvement Manager Joseph Wood provided a PowerPoint presentation regarding the neighborhood stabilization program. Specific topics of discussion included the Housing and Economic Recovery Act of 2008, funding to State and local jurisdictions, San Joaquin County distribution, State Department of Housing and Community Development (HCD) distribution to San Joaquin County, the City's set aside, challenges, program implementation, and preserving affordability.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated Department of Housing and Urban Development (HUD) applies the formula after reviewing area data for foreclosures and delinquencies. Mr. Wood stated if the area does not meet the \$2 million threshold it would not receive an allocation.

In response to Mayor Mounce, Mr. Wood stated if an agency does not meet federal thresholds it must rely on funding from the State. Mr. Wood stated San Joaquin meets the criteria for federal and State funding and the funding goes from HUD to the County and then to the cities.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated the State will be providing approximately \$800,000 in additional funds for underserved areas based upon the same guidelines as the federal funding.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated the time frame for the expenditure is 18 months to obligate the first initial allocation.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated the funding cannot be applied to affordable housing because a key element is vacant or foreclosed property.

In response to Council Member Hitchcock, Mr. Wood confirmed that someone in the very low income will likely not qualify for the funds. He stated the City will reach out to affordable housing non-profit developers and will look for foreclosed properties to see if there are any multi-family types of structures.

In response to Mayor Mounce, Mr. Wood stated that, based on a recent County proposal for

affordable housing projects, there are approximately four viable developers serving the general area.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated there should not be any problems using the funding, as the City does not acquire the properties itself, and as long as developers are involved and follow through. Mr. Wood stated the money should be able to move; although, there may be some challenges with the requirement that the properties are purchased for less than 5% of the appraised value and collectively there is a 10% to 15% aggregate value below appraised values to meet.

In response to Mayor Mounce, Mr. Wood stated the Technical Advisory Committee for the County has the ability to follow through on funding and property acquisition with banks and developers within whom they are familiar.

In response to Mayor Mounce, Mr. Wood stated the City will play a key role in identifying properties for eligibility and getting local providers, such as the Salvation Army and Loel Center, to bring options to the table.

In response to Council Member Hitchcock, Mr. Wood stated that staff time spent on administering the program will be charged to the program as allowed for administrative costs and will be similar to that of the Block Grant program.

Discussion ensued between Mayor Mounce, Council Member Hitchcock, and Mr. Wood regarding the process associated with acquiring property, rehabilitation, turn over to an agency such as Loel Center, and the revolving nature of the funds to keep the program going by regenerating funds.

In response to Mayor Pro Tempore Hansen, Mr. Wood confirmed that individuals will still have to go out and qualify through a bank for primary mortgages and the program will simply assist them with additional funding.

In response to Mayor Pro Tempore Hansen, Mr. King stated the 5% requirement set forth by the lawmakers in Washington DC was an effort to get the most value for the dollar by implementing restrictions that would minimize the ability to make a profit off such programs and development.

In response to Myrna Wetzel, Mr. Wood stated the subject properties must be strictly residential in nature or vacant lots that are foreclosed.

In response to Council Member Johnson, Mr. Wood stated Manteca and Tracy receive direct allocation from HCD and are therefore not listed on the County list.

In response to Council Member Hitchcock, Mr. Wood stated the map presented does reflect the foreclosed properties in the City of Lodi.

In response to Mayor Pro Tempore Hansen, Mr. Wood stated the area designation currently is limited to the 95240 zip code but can be amended later as necessary to include 95242.

In response to Council Member Johnson, Mr. Wood stated the program may apply to Habitat for Humanity; although, there may be some concern with fund expenditure in a timely manner since their projects generally take a bit longer.

In response to Council Member Johnson, Mr. Wood stated at the current time there has not been an opportunity to receive pro bono appraisals.

In response to Mayor Pro Tempore Hansen, Mr. Wood confirmed that the program providers did not want there to be misuse of the program or profit making. He stated the intent is to keep property affordable and on the grids in a revolving manner.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:54 a.m.

ATTEST:

Randi Johl  
City Clerk



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# CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Neighborhood Stabilization Program

**MEETING DATE:** November 18, 2008

**PREPARED BY:** Community Development Department

**RECOMMENDED ACTION:** Receive a presentation on the Neighborhood Stabilization Program funding.

**BACKGROUND INFORMATION:** In July of 2008, Congress passed the Housing and Economic Recovery Act of 2008 (HERA) which appropriated \$3.92 billion for the redevelopment of abandoned and foreclosed homes and residential properties to State and local jurisdictions with the greatest need based upon the number and percent of foreclosures, sub-prime mortgages, delinquencies and defaults. The grant program within HERA that provides this funding is the Neighborhood Stabilization Program (NSP).

NSP funding is intended to stabilize neighborhoods by giving State and local jurisdictions the ability to:

- Buy, rehabilitate and resell abandoned and foreclosed homes;
- Demolish existing abandoned and foreclosed homes;
- Rebuild on those demolished and/or vacant properties that were the subject of foreclosure;
- Offer down payment and closing cost assistance to low- to moderate-income homebuyers;
- Reuse properties for affordable rental housing.

In addition, grantees can create "land banks" to assemble, temporarily manage and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging reuse or redevelopment of properties.

San Joaquin County has received an allocation of \$9 million to be shared amongst the local jurisdictions that operate within the Urban County designation for funding from the US Department of Housing and Urban Development (HUD). While the City of Lodi has elected to leave the Urban County group beginning in 2009/10, NSP funds are available to all participating jurisdictions in the 2008/09 Program Year, which allows Lodi to not only receive an initial allocation, but also to continue to access program income generated through the life of the NSP. The breakdown of funding within the Urban County jurisdiction is as follows:

<u>Local Agency</u>	<u>Allocation</u>	<u>% of Foreclosures</u>
Escalon	\$65,762	1.12%
Lathrop	\$645,663	11%
<b>Lodi</b>	<b>\$577,908</b>	<b>9.85%</b>
Manteca	\$1,116,956	19.03%
Ripon	\$119,567	2.04%
Tracy	\$1,888,164	32.17%
Unincorporated County	\$1,455,730	24.8%

APPROVED:

Blair King, City Manager

HERA requires that at least 25% of the funding provided in this program be targeted to benefit those families or individuals living at or below the very low-income level, or 50% of the Area Median Income (AMI) level. Since it is not likely that a family or individual at that income level could qualify for a home mortgage, those funds will likely be used to acquire and rehabilitate housing for affordable rental housing and to serve other needs within that income level such as transitional housing for homeless and for those at risk of becoming homeless. For San Joaquin County, that 50% AMI set-aside is \$2.257 million and will be pooled among the participating jurisdictions.

There are many elements of these program regulations and requirements that present a significant challenge to State and local jurisdictions. The most critical challenge is that the initial allocation of funding must be obligated within 18 months from the date that the Action Plan is adopted. At that 18 month deadline, any unobligated funding will be recaptured by HUD and redistributed to other jurisdictions with the greatest need that have demonstrated the ability to use the NSP funds in a timely manner.

The NSP funding is intended to remain available for reuse as program income is returned to the local agencies for only five years. Any NSP funding on hand and any program income generated after June 30, 2013, will revert to HUD.

Another challenge of this program's regulations is the requirement that properties be acquired at least 5% below their appraised value for an individual purchase and 10-15% below the appraised value for the aggregate of all purchases with NSP funding. In the current market, we are beginning to see competition from local investors who are buying up foreclosed properties and mortgage companies that may be hesitant to take additional loss.

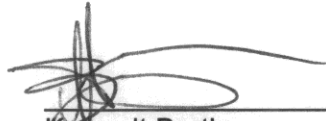
### Program Implementation

Representatives of each jurisdiction that serve on the CDBG Technical Advisory Committee (TAC) have met with San Joaquin County, which will act as the lead agency for the NSP, in order to review and approve the actions necessary to implement the program. The TAC has reviewed and approved the following in order to allow for the timely adoption of the revised Consolidated Plan/Action Plan by the December 1<sup>st</sup> deadline:

- Identified the acquisition, rehabilitation and re-sale of abandoned and foreclosed properties as the primary eligible use of NSP funding.
  - Individual jurisdictions can identify additional eligible uses and apportion their allocation of funds accordingly.
  - **For Lodi, our initial allocation is dedicated toward the primary eligible use. This will provide us with the greatest opportunity to expend the initial funding allocation within the first 18 months.**
  - **The Consolidate Plan/Action Plan can be amended at a later date to allow for additional eligible uses with the program income that is generated over the remainder of the program.**
- Identified the reuse of abandoned and foreclosed properties for affordable rental housing as the secondary eligible use of the NSP funding set-aside for 50% AMI.
- Identified the geographic areas within each jurisdiction where the funding will be targeted.
  - **For Lodi, the 95240 zip code (East of Ham Lane), in which over 70% of the foreclosed properties are concentrated. See attached map.**
- Revised Consolidated Plan/Action Plan to the Board of Supervisors on November 25th.
- Will solicit proposals from non-profit affordable housing developers for their participation in the program.
  - A reasonable Developer Fee amount has been established for any participating affordable housing developer.

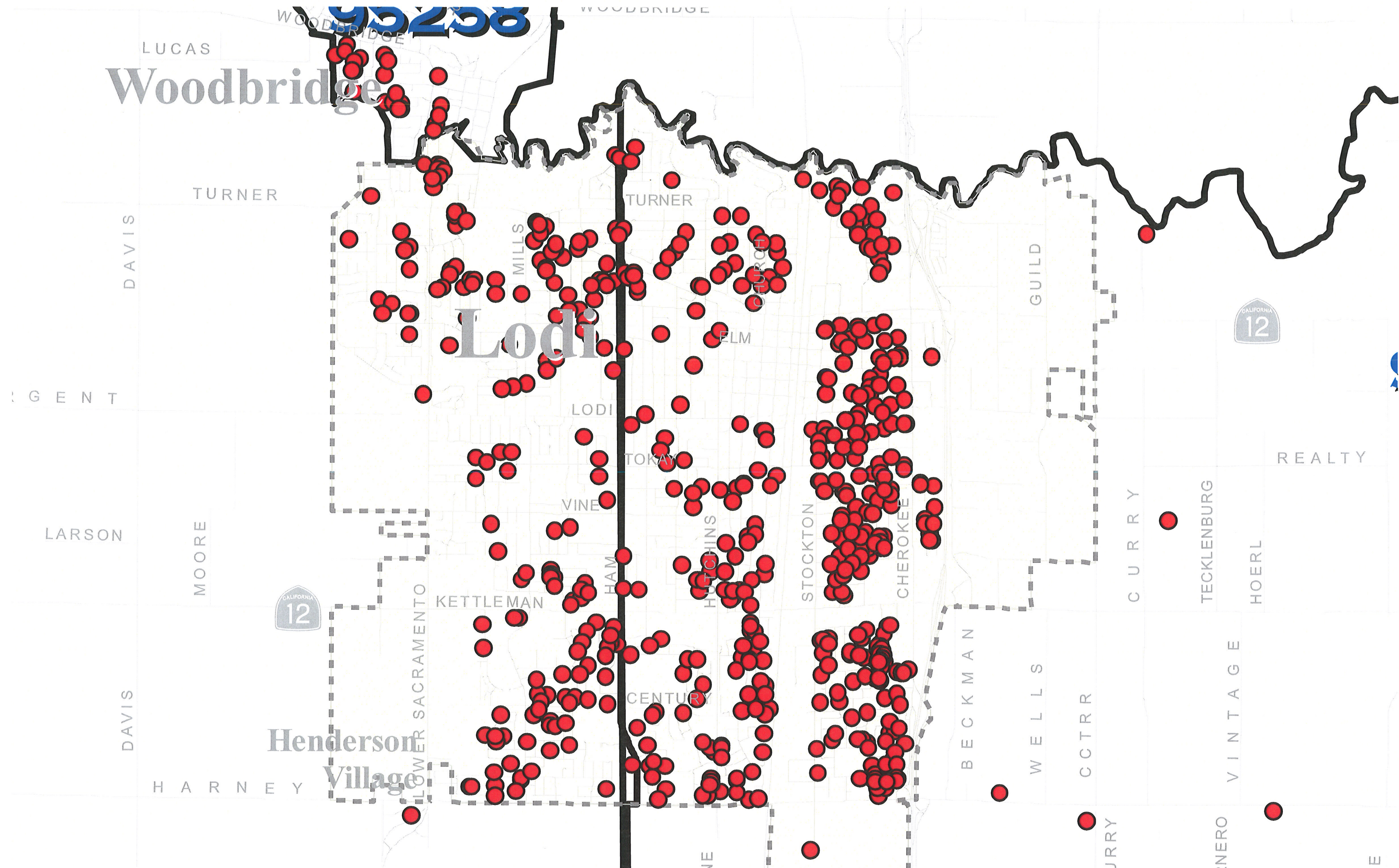
The TAC will be responsible for oversight of program administration and future revisions to the Consolidate Plan/Action Plan through San Joaquin County. Locally, the responsibility for oversight of program implementation will fall to the Community Improvement Manager. The personnel costs associated with both program implementation and time spent serving on the TAC are all reimbursable through the program. The scope of work carried out under this program is not expected to create any unusual demands on staff's time as it is a direct extension of the duties and responsibilities currently undertaken by the Community Improvement Manager.

**FUNDING:** Neighborhood Stabilization Funds \$577,908

A handwritten signature in black ink, appearing to read 'Konradt Bartlam', is written over a horizontal line.

Konradt Bartlam  
Community Development Director

Attachments



# Neighborhood Stabilization Program

Community Development Dept.  
November 18, 2008

# Summary

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- Housing & Economic Recovery Act of 2008
  - Adverse impact the foreclosures have had on communities.
  - \$3.92 Billion – Neighborhood Stabilization Program
    - Intended for the redevelopment of abandoned, foreclosed homes and residential properties.
    - Provide affordable housing to very low- to moderate income residents.
    - Provide opportunity to preserve affordability over a long term.

# Neighborhood Stabilization Program

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- Funding to State and local jurisdictions.
  - Buy, rehabilitate and resell abandoned and foreclosed homes;
  - Demolish existing abandoned, foreclosed homes;
  - Rebuild residential homes/units on those demolished and/or vacant properties that foreclosed upon;
  - Provide down-payment and closing cost assistance to homebuyers;
  - Provide for the reuse of foreclosed properties for affordable rental housing.

# Neighborhood Stabilization Program

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- Funding to States

- \$19.6 million minimum.
- California's allocation: \$145 million received.

- Funding to Local Jurisdictions

- \$2 million threshold for cities and counties.
  - Those jurisdictions under that threshold would be served through the State allocation.

# NSP – San Joaquin County

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- \$9 million to SJ Urban County
  - 25% Set-aside to serve 50% AMI (Very low-income)
    - \$2.257 million
  - Distribution to Cities/County

Escalon	\$65,762
Lathrop	\$645,663
<b>Lodi</b>	<b>\$577,908</b>
Manteca	\$1,116,956
Ripon	\$119,567
Tracy	\$1,888,164
SJ County	\$1,455,730

# NSP – California HCD

## ■ HCD Distribution to SJC Cities

Agency	Urban County	HCD
Escalon	\$65,762	\$146,043
Lathrop	\$645,663	\$696,139
<b>Lodi</b>	<b>\$577,908</b>	<b>\$871,252</b>
Manteca	\$1,116,956	\$1,510,449
Ripon	\$119,567	\$221,478
Tracy	\$1,888,164	\$1,882,000
SJ County	\$1,455,730	\$0

# NSP - Lodi

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- 25% Set-aside
  - Urban County funds: \$2.257 Countywide
  - HCD funds: \$36,267,876.50 Statewide
  
- Balance of NSP funding
  - Urban County: \$577,908
  - HCD \$871,252
  - Total \$1,449,160

# NSP Challenges

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- Initial allocations of funding must be obligated within 18 months from Action Plan adoption.
  - **June 1, 2011**
  - Any unobligated funding at that date is recaptured by HUD.
  - Once obligated, funding remains available for 5 years.
    - After June 30, 2013, all funding reverts back to HUD.

# NSP Challenges

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- Homes/Properties must be acquired at least 5% below their appraised value for an individual purchase.
- 10%-15% below the appraised value for the aggregate of all purchases with NSP funding.
  - Beginning to see movement in resale market for foreclosed properties.
    - More competition.
  - Will banks be willing to take additional losses?

# Program Implementation

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- CDBG Technical Advisory Committee (TAC)
  - Representative from each participating agency.
- San Joaquin County lead agency with Urban County funding.
- Will need a Joint Power Agreement or Memorandum of Understanding with Lathrop, Escalon & Ripon for allocation from State HCD.

# Program Implementation

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- County to adopt revisions to Consolidated Plan/Action Plan by December 1, 2008.
  - Identified acquisition, rehabilitation and re-sale of abandoned, foreclosed properties as primary use of NSP funding.
    - Quickest way to use these funds within the 18 month timeframe.
    - Plan can be amended later to accommodate additional eligible uses for a specific project.
  - Identified 95240 zip code as geographic area where funds will be targeted.
    - 70% of foreclosures.

# Program Implementation

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- County has solicited proposals from area non-profit developers.
- City Staff is in contact with other affordable housing developers who have an interest in participating in the program.
  - Approved non-profit developers will have access to the funding to carry out the program.
  - Developer Fees will be limited.

# Preserving Affordability

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*“The Secretary shall, by rule or order, ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental or redevelopment of abandoned and foreclosed homes and residential properties under this section remain affordable to individuals or families”*

*The Housing and Economic Recovery Act of 2008, section 2301 (f)3B*

# Preserving Affordability

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- Shared Equity Homeownership
  - Resale price restrictions, deed restrictions, covenants and Community Land Trusts are tools that will allow homeowners to build significant wealth through homeownership but limit the extent of that wealth creation in order to maintain affordability.
  - A method in which this NSP investment could be used to build a long term stock of affordable homes.